

James B. Lee, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: MARCH 16, 2006

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

James B. Lee
Michael Morris
Vernal Mortensen
John Ferry
Gayle McKeachnie

STAFF

Kevin S. Carter
Dave Hebertson
NormaLee McMichael
Tom Faddies
Drake Howell
Lisa Schneider
Elise Erler
LaVonne Garrison
Ron Carlson
Susan Sweigert
Rick Wilcox
John Andrews
Rodger Mitchell
Michelle McConkie
Kim Christy
Kurt Higgins
Nancy Buaman
Effie Burns
Meagan Hoskins
Alexa Wilson
Dawn Soper
Michelle Barndt
Lynda Belnap

OTHERS IN ATTENDANCE

Blaine Rawson, Intermountain Resources
Karen Rupp, Utah State Office of Education
Joel Frandsen, Director/State Forester, Division of Forestry, Fire & State Lands
Natalie Gordon, Utah PTA
Charles Evans, University of Utah
Randy Johnson, Washington County
Terrah Anderson, Governor's Office of Planning & Budget
Scott Hirschi, Washington County Economic Development

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Chairman Lee welcomed Board members, Staff, and guests to the meeting. He reminded everyone that Mr. Ross Matthews has resigned from the Board. The Nominating Committee is in the process of meeting to recommend names for his replacement.

1. Approval of Minutes

The Board approved the minutes of January 19, 2006.

Ferry / McKeachnie. Unanimously approved.

“I move we approve the minutes of January 19, 2006.”

Roll Call:

Mr. Morris - - yes	Mr. Ferry - - yes
Mr. McKeachnie - - yes	Mr. Mortensen - - yes
Mr. Lee - - yes	

2. Confirmation of Upcoming Meeting Dates

The Board approved the following upcoming meeting dates:

April 6 - - Salt Lake City
May 11 - - Salt Lake City
June 8, 9 - - Tabby Mountain . Roosevelt

3. Initial Consideration of Request For Agency Action and Appeal of Final Agency Action of Timber Sale Contract - TA #746 - - Intermountain Resources, LLC

Since the Board had just received some further Motions in this matter and had not had time to review them, this matter will be postponed until next month. Mr. Blaine Rawson, attorney for Intermountain Resources, stated that he had also filed a Motion For Discovery. He feels they can work with the Board’s counsel on this. Chairman Lee stated that, if it can’t be worked out that way, they can call him; and he will work it out on behalf of the Board.

4. Concurrence in R850-4-300 - - Waiving of Fees

Director Carter reviewed this issue with the Board. There presently is no rule-based authorization for either the Director or the Board to waive fees for any reason. Fees have been waived in the past in certain situations, under color of the broad statutory authority to manage trust lands in the best interest of the beneficiaries.

The Administration charges a variety of fees for performing ministerial actions for applicants/lessees. Fees are charged on a one-time basis and are not ongoing revenue sources. They range from \$0.10 to \$700.00.

Typically, a fee would be waived in the following circumstances:

- * The \$20 fee to amend a grazing permit would be waived because the amendment is done at the request of the Administration.
- * The \$500 application fee for a right of entry would be waived because the applicant was going to be performing a task where a product would be given to the Administration at no charge (geological analysis, surveying results, etc).

The amounts involved are too unsubstantial to warrant Board time for each instance, but the Board does need an opportunity to review these acts of discretion performed by the Director. The proposal is to adopt a rule that would allow the Director to waive fees when appropriate, but includes a requirement for the Director to report this exercise of discretion on a scheduled basis. The proposed amendments to rule are presented below, and the Administration seeks Board concurrence in this proposed rule-making:

R850-4-100. Authorities.

This rule implements Sections 6, 8, 10, and 12 of the Utah Enabling Act, Articles X and XX of the Utah Constitution, and Section 53C-1-302(1)(a)(ii), which authorizes the Director of the School and Institutional Trust Lands Administration to adopt rules necessary to fulfill the purposes of Title 53C.

R850-4-200. Fee Schedule.

The fees are established by the agency pursuant to policy set by the School and Institutional Trust Lands Board of Trustees. A copy of the fee schedule is available at the School and Institutional Trust Lands Administration offices listed in R850-6-200(2)(a).

4. Concurrence in R850-4-300 - - Waiving of Fees (cont'd)

R850-4-300. Fee Waivers

1. The Director may waive any fees when appropriate and when doing so would not be adverse to the interests of the beneficiaries.
2. The Director shall provide a semi-annual report to the Board of Trustees of any fees waived and the reasons for waiving the fees.

R850-5-200. Payments.

Payments include rentals, royalties, or any other financial obligation owed under the terms of a lease, permit, or any other agreement.

1. As a matter of convenience, the agency allows parties other than the obligee to remit payments on the obligee's behalf; however, this practice in no way relieves the obligee of any statutory or contractual obligations concerning the proper and timely payments or the property and timely filing of reports. For practical reasons, the agency often makes direct requests for reports and other records from parties other than the obligees. Payors should be aware that their actions subject leases to cancellation or subject delinquent royalties to interest charges. It is, therefore, in the best interest of all parties to cooperate in responsibly discharging their obligations to each other and to the Trust Lands Administration.
2. The obligee bears final responsibility for payments. In order to meet payment obligations of a lease, permit, or other financial contract with the agency, payments must be received as defined in subsection 4 of this rule by the appropriate due dates and must be accompanied by the appropriate report.
3. When a change of payor(s) on a property is to occur, the most recent payor of record shall notify the agency by letter prior to the change. This shall not be construed, however, to relieve the obligee of the ultimate responsibility.
4. Payments will be considered received if it is either delivered to the agency or if the postmark stamped on the envelope or other appropriate wrapper containing it is dated on or before the due date. If the post office cancellation mark is illegible, erroneous, or omitted, the payment will be considered timely if the sender can establish by competent evidence that the payment was deposited in the United States mail on or before the date for filing or paying. If the due date or cancellation date falls upon a Saturday, Sunday, or legal holiday, the payment shall be considered timely if received as defined herein by the next business day.
5. Payments will be enforced even though an agency order is incomplete or because of other irregularities.
6. A 6% penalty and \$15 return check charge will be assessed on all checks returned by the bank. The check must be replaced by cash, certified funds, or immediately available funds. The Director may require future payments with certified funds when notified in writing.

4. Concurrence in R850-4-300 - - Waiving of Fees (cont'd)

7. Any financial obligation not received by its contractual due date will initiate a written cancellation notice by certified mail, return receipt requested. The cancellation date for any lease/permit or other contractual agreement, unless otherwise specified in this rule, is defined as 30 days after the postmark date stamped on Post office Form 3800, Receipt for Certified Mail. In the event payment is not received by the agency on or before the cancellation date, the lease, permit, or other contractual agreement will be subject to cancellation, forfeiture, or termination without further notice.

A default in the payment of any installment of principal or interest due under the terms of any land purchase agreement not received by the agency more than 30 days after the due date shall initiate a certified billing, return receipt requested. If all sums then due and payable are not received within 30 days after the mailing of the certified notice on Post Office Form 3800, the agency may elect any of the remedies as outlined in R850-80-700(8). If the cancellation date falls on a weekend or holiday, payment will be accepted the next business day until 5 p.m.

8. A late penalty of 6% or \$10, whichever is greater, shall be charged after failure to pay any financial obligation, excluding royalties as provided in R850-5-300(2), within the time limit under which such payment is due.

9. Subject to R850-4-300, rental [~~Rental~~] payments received after the due date which do not include a late fee will be returned to the lessee by certified mail, return receipt requested. Payment will only be accepted for the full amount due.

Mr. Morris inquired about an example of a fee waiver that would be in the best interest of the beneficiaries. Director Carter stated that some time we ask someone to amend a lease that would make it in our favor. In that case, it would be appropriate to waive the fee. Mr. Morris stated that fees are a very important revenue type to financial institutions. He feels that fees are there for a reason. He thinks the Director should have authority to waive fees, but that he should not use it very often, even if it is a modest amount. He stated he feels we should look at this as a business - - the fee income is part of our business. Director Carter stated the Board will be able to see how many fees we are waiving.

Ferry / McKeachnie. Unanimously approved.

“I move we concur in this proposed rule.”

Roll Call:

Mr. Morris - - yes

Mr. Ferry - - yes

Mr. McKeachnie - - yes

Mr. Mortensen - - yes

Mr. Lee - - yes

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5. Washington County Public Land Congressional Proposal

Mr. John Andrews introduced this item and gave the Board a sheet containing Briefing Points on the Washington County Lands Legislation as follows:

- * Senator Robert Bennett plans to introduce federal legislation in the near future that will direct significant changes in public (BLM) land management and ownership in Washington County.
- * The legislation is modeled on the Lincoln County Conservation Recreation and Development Act of 2004 (Public Law 108-424). The Lincoln County, Nevada, legislation provided for the sale of significant acreage of BLM-managed lands in that county and created utility corridors and other designations to support economic development in the county and elsewhere in Nevada. As a tradeoff to satisfy the environmental community, the legislation also created some 700,000 acres of new BLM wilderness designations in the county.
- * Washington County has adopted this model to attempt to create a larger private land base in the county through federal land sales and to put the wilderness controversy to rest in the county through designation of certain BLM lands as wilderness and release other areas from wilderness study.
- * We do not have the latest draft of the legislation or accompanying maps yet. These notes are based on prior drafts and discussions with participants in the process.
- * The proposed wilderness designations do not appear to affect the Trust significantly, since most or all trust lands were exchanged out of WSAs in the county in the 2001 West Desert Land Exchange. Therefore, it does not appear that there is need for a land exchange associated with the legislation (but see sales discussion below).
- * The county has worked with the Nature Conservancy to attempt to build environmental support for the legislation. One aspect of this relationship is the proposed direction of funds from BLM land sales to purchase sensitive non-federal lands in the county, including a large area of high country north of Zion National Park, lands on the Beaver Dam Wash, rare plant habitat at the White Dome and elsewhere, and lands within the Red Cliffs Desert Reserve. The Trust owns lands in all of these areas, and funding for conservation sales is likely to be beneficial to the Trust.

5. Washington County Public Land Congressional Proposal (cont'd)

- * A second aspect of interaction with the environmental community is a proposal for a county-wide growth effort to be conducted in conjunction with Envision Utah, apparently while the legislation is pending. The exact nature of this effort is not clear, but it may have some role in determining certain of the BLM lands to be sold (see below). TLA believes that a comprehensive planning process is a very good idea for the county and intends to participate in this effort whether or not the legislation proceeds. We have given a “soft” commitment to provide some funds to support this effort.
- * The proposed BLM land sales are of the greatest concern to the Trust. The land sales will be conducted in tiers. The first tier, constituting BLM lands already cleared for sale, is not of serious concern if the list of lands TLA has been provided remains unchanged. We have reviewed the original list and determined that these lands are generally not of interest to the Trust.
- * The second the third tiers of BLM land sales are of more concern. The Trust has multiple lands in the county that it will ultimately need to exchange to BLM, including lands in sensitive but non-wilderness areas such as the Beaver Dam Slope, the Zion entry viewshed corridor, lands inside the Sand Hollow Recreation Area, and lands in the Red Cliffs Desert Reserve. If all BLM lands that are suitable for disposition are sold rather than being made available for exchange, the Trust will be unable to complete future exchanges within the county.
- * We have requested that Trust-BLM exchanges be placed on an equal footing with second and third-tier land sales in the draft legislation. Senator Bennett’s staff has suggested that the planning process described above would at least provide the Trust with input, although this may be a fairly soft commitment depending on the final legislative language. It is unclear at this point how this issue will sort itself out, as we have not seen the most recent draft of the legislation. We have noted to Senator Bennett’s staff and the Nature Conservancy that exchanges are beneficial to the environmental process, since they reduce the amount of funds necessary to buy sensitive lands. TLA will continue to engage with the delegation on this issue. Board input on this issue would be helpful.

5. Washington County Public Land Congressional Proposal (cont'd)

- * The timing of the legislation and the speed with which it will progress are uncertain at this point. The Southern Utah Wilderness Alliance is likely to oppose the bill for failing to designate their desired level of wilderness and various other potentially controversial issues unrelated to trust lands exist in the bill. The legislation has strong support from the Washington County Commission and the Utah congressional delegation. The Department of the Interior's position is unclear.

Mr. Andrews introduced Randy Johnson, who was here to make a presentation on this proposed legislation. Mr. Johnson was a long-time Emery County Commissioner. He worked in trying to create a national designation for the San Rafael Swell area. He then worked with the Governor's Office working on alternative ways to manage the public lands. He has recently been working as a consultant to Washington County and other counties to put together some legislation on how their lands should be managed.

Mr. Johnson discussed this issue with the Board. These issues were started when Governor Walker and Lt. Governor McKeachnie were in office. The counties decided to do something on a county-by-county basis on the wilderness issue. Washington County was the first county to do something on it. Iron, Beaver, and Millard Counties, as well as other counties, are involved in this process now.

It basically entails that the county steps forward and becomes the initiator. They gather all types of data. The county then selects a working group that includes all stakeholders' perspectives. He noted Director Carter has been a member of the working group. It is generally about 20 members. This working group then works with the data that has been assembled and discusses all these issues in the county. The agencies are then able to use the data to see if their management plans comply and mix with this. They evaluate the data to see if they need to change their operations.

Legislation is then proposed. Senator Bennett's Office is carrying this legislation for Washington County. All the delegation members are involved, as well as the Governor's Office. It is ready to be introduced before the end of March or early April. As an offshoot of this planning process, the county then goes into further planning processes, using this same data that has been compiled. Washington County is going to do a full-fledged growth planning process.

The public is invited to all meetings. These meetings are well attended by the public. The committee does answer questions for the public and uses their feedback. Once the legislation is announced, the county will hold an open house and show how the language and map were developed.

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5. Washington County Public Land Congressional Proposal (cont'd)

Mr. Johnson stated he has been the developer of the language and maps, and they don't release them until the committee has passed on them. However, there are no closed meetings. They have not tried to reach consensus in the meetings. It is not possible to get consensus on public land issues in Utah by all groups. They try to gather all the data and then try to create legislation that addresses the concerns in the best way.

Director Carter stated that, because of our land ownership, we have had a role in the working group to remind everyone involved that there is balance needed as well as give and take. Mr. Johnson stated they have let the process define where we are and then let the legislation address as many of the issues as possible. He noted he feels this is the best piece of legislation that the State of Utah has ever sent to Washington on public land issues.

This has been a grass-roots effort. The legislation addresses power and transmission corridors, access, water district projects, land transfers, national conservation areas, etc. They have used the Nevada legislation as a model in developing the Washington County legislation. Trust Lands' permanent fund gets five percent of any federal lands that are privatized. The BLM will auction off the lands. It was suggested that possibly TLA Staff could do this for a fee for them. Mr. Andrews noted they have a pretty good marketing function in Nevada right now. All the transfers will just be surface. The language proposes that the tortoise habitat be made a national conservation area. There are 22 members on the working group. They are all on board except SUWA. SUWA has issues with transportation corridors, amount of wilderness, riparian areas, trail systems, etc.

The Board thanked Mr. Johnson for this presentation. Mr. Johnson indicated that Director Carter has been a great asset in this process.

6. Chairman's Report

a. Beneficiary Report

Ms. Karen Rupp noted that Margaret Bird is on vacation in London, so she will give this report. She noted that it was a real disappointment to the beneficiaries when Mr. Matthews resigned from the Board. They are looking for someone who would have that same type of background. The Nominating Committee is working on replacing him. They are interviewing candidates on March 23 for his position and the replacement for Mr. Mortensen. The committee will get the nominations to the Governor as soon as possible. She expressed their appreciation for the high quality Board members that currently make up this Board. They want to add people to the Board that have these same great qualifications.

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6. Chairman's Report (cont'd)

a. Beneficiary Report (cont'd)

Chairman Lee stated that Ms. Rupp and Ms. Bird and others were very helpful in responding to the proposed legislation that tried to change our agency this year. The Board and Staff appreciate their help.

b. Follow-up Report to Board Actions

Chairman Lee noted that Ms. Bird had pointed out some Board actions that had been approved and had not yet been finished by the Staff. She suggested some issues that needed follow-up. Mr. Lee noted this will be a follow-up issue at each Board meeting. Director Carter suggested that, prospectively, when the Board approves something, the approval motion include a date for a return status report. This will address some of the legislative auditor's concerns. Mr. Morris stated we need to be quantitative in what type of motions need follow-up dates included. Director Carter stated generally it probably will be a subjective thing as the Board makes motions. The Board asked that Ms. Belnap watch that motions contain a follow-up date if the Board intends one. If there is no follow-up date included in the motion, the Staff does not need to do follow-up. Director Carter asked the Development staff to following on the two issues about which Ms. Bird asked.

Francis, Summit County - - Rodger Mitchell stated this was an authorization to spend \$160,000 to gain access to some of our property in Francis, Summit County, Utah. We have not yet spent this money due to some continuing negotiations with the county regarding their zoning, etc. We are still engaged in these negotiations regarding density, etc. This is just taking longer than Staff had expected. Staff will not spend the money if the situation changes from what was authorized by the Board. Mr. Mitchell plans to come back to the Board about September with a proposal on this issue.

Sienna Hills - - Drake Howell reported on a transaction in Sienna Hills with Gardner Plumb and Bangerter. This is a 20-acre residential piece in Washington City. As a result of an RFP process, Gardner Plumb and Bangerter was selected. They have not been able to close this contract because they still need to work out some issues with Washington City. At the same time, the developer submitted their plan for development for single-family units. In the city's plan, some of this land includes townhomes, etc. The Staff and the city have been working out these differences in interpretation of what this meant. Staff has opted to go forward with a plan amendment that will include some townhomes. This should be moving along by the end of the fiscal year. The Board asked that a further status report be given at the August meeting.

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6. Chairman's Report (cont'd)

b. Follow-up Report to Board Actions (cont'd)

Mr. Mitchell stated that Mr. McBrier was not able to be in attendance today, but had asked that he mention to the Board that the Dixie Downs transaction with the large grocery store has fallen apart because of financial and conceptual reasons (Amsource). Mr. Morris stated he is familiar with the tactics of Amsource. He thinks maybe, in light of the audit, it would be appropriate to take a project like this, structure it like we would like to do it, and send out a RFP with those stipulations. Mr. Mitchell stated Staff has been using RFPs to qualify some developers. It is hard to actually structure the deal like we would like to have it before we deal with a company on it. We are trying to create a competitive situation that will bring ideas to the table.

Mr. Lee stated that, based on Ms. Bird's request, the Board doesn't want to micro-manage. In the future, if the Board feels it will be necessary to have follow-up, they will put it in the motion. He suggested to the beneficiaries that, if there are future items, they can bring them to the attention of the Board for future follow-up.

c. Sub-committee to Study Compensation

Chairman Lee stated that, in the last legislative session, Board members made a request to the legislative committee that the Board be allowed to make a compensation study. He asked Mr. Morris to be the Chairman of the sub-committee, with Mr. McKeachnie and Mr. Mortensen as members. The Board committed to reporting back to the legislative committee on this study. Mr. Morris stated the first step is to find who is out there that is qualified to help us with this study. He thinks the Board also needs to revisit the bonus structure in light of monetary and non-monetary goals. Director Carter noted that the Staff has started looking at companies who are qualified in doing this work for us. We have made a couple of contacts who may be interested. Mr. Morris stated the engagement process has to be by the Board and through the Board.

Mr. McKeachnie stated that he feels the problem is not in the compensation, but it is the perception. How do you get this to the legislature? Possibly we need to figure out some mechanism to involve a citizen group more than a compensation group. This group could go to the legislature and tell them they have looked at it. The Board sub-committee will look at all these alternatives. Director Carter stated that possibly DHRM would have a role to play. Mr. McKeachnie stated we should involve them some way. Chairman Lee stated they would also like to have one of the beneficiaries help with this.

6. Chairman's Report (cont'd)

d. Report From the Audit Sub-committee

The minutes from the Audit Sub-committee were handed out to the Board members. The Audit Sub-committee is presently comprised of Mr. Lee, Mr. Morris, Director Carter, Lisa Schneider, Ron Carlson, and Ms. Bird. Chairman Lee noted they are focusing on the areas they feel are the most important. It will continue to function and meet. If any other Board members have any suggestions, please pass them on to the sub-committee members.

e. Sub-committee on Objectives

Chairman Lee stated that we need a replacement on this committee for Mr. Matthews. Mr. Lee asked Mr. Ferry to serve. He would like to have a meeting in April. Director Carter will call the meeting. Board members should be sending ideas to the Director for incentives.

Mr. Morris stated that, if anyone ever looks again at base compensation and the incentives, these objectives need to be seen as "stretch goals" and "value added" and being worthy of being paid bonuses for them.

Mr. Lee noted that he had asked Staff to prepare a form that is used to be paid for service on this Board and on sub-committees. He passed out the form. Board members are asked to initial by their name so that we can pay them for meetings.

7. Director's Report

a. Director's Update on Issues

I. Legislative Wrap-up

The Board had been sent a score card on the legislative issues. Director Carter reviewed the supplemental budget and next year's budget with the Board. Basically, we had about a 40 percent increase. He thinks this reflects the feelings of our Appropriation sub-committee that they think we are spending this money wisely.

During this session, the legislature pursued a strategy to minimize the amount of "House vs. Senate" and "Legislature vs. Governor" politics to hold the budget hostage. This strategy led to the passage of a base budget (SB 1) early in the session. Remarkably, this bill was passed by

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7. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Legislative Wrap-up (cont'd)

both houses on January 19, 2006 (the first day of the session), and approved by the Governor on February 3, 2006. This bill approved a budget for FY 2007 which was essentially the same as the budget approved for FY 2006. This ensured that government would continue next year even if other budget issues were stalemated. In this action, the legislature appropriated \$7,950,100 for Operations, plus \$5,000,000 for Capital Development.

On the last day of the session, the legislature enacted SB 4, which supplemented the base budget above with any increases which agencies were able to persuade the legislature to approve. In this action the legislature appropriated an additional \$397,300 for Operations, plus an additional \$2,000,000 for Capital Development.

Also on the last day of the session, the legislature enacted HB 1, which dealt with supplemental appropriations for this fiscal year. In this action, the legislature appropriated an additional \$252,000 for Operations, plus an additional \$2,000,000 for Capital Development for this fiscal year.

Finally, the legislature also enacted HB 4, which authorized and funded benefits and salary increases for state employees. This resulted in an increased appropriation of \$392,200. This will cover the increased costs of medical benefits, plus fund most of a 3.5 percent cost-of-living adjustment for employees.

Some additional minor amounts were provided to Risk Management for our premiums. Also, \$45,000 was removed from our appropriation, primarily because the cost of our personnel-management employee is now covered by the Department of Human Resource Management.

Director Carter reviewed the following statute changes:

- * SB 217 - - Compensation of agency personnel - - did not pass out of senate committee.
- * GRAMA Bills
 - * Five bills - - four passed. Some coordination necessary.

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7. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Legislative Wrap-up (cont'd)

- * Antiquities Bills
 - * Two bills - both passed. HB 139 and 311.
- * HB 80 - - Energy Savings in State Buildings
- * HB 145 - - Rangeland Improvement Act - creates grazing committees around the State
- * HB 46 - - Energy Policy Amendments
- * HB 78 - - Investment of Trust funds - broadens the authority of the Treasurer
- * HB 100 - - Environmental Litigation Bond - - some constitutional issues have been raised
- * HB 361 - - DNR Clean-up bill - - did not pass
- * SB 67 - - Conservation Easements - allows DNR to have an account to manage conservation easements
- * HJR 28 - Resolution on University Research of Trust Lands - - Did not pass

Director Carter expressed appreciation to Board members, former Board members, beneficiaries, and Staff for their help during the session. He indicated Kim Christy did a great job and was there all the time. Chairman Lee stated this was a good session for us largely due to the help of the beneficiaries and the steadiness of the Staff.

II. Development of Tasks in Response to Audit

Director Carter reviewed, through a power-point presentation, the issues which were dealt with in the Legislative audit and their recommendations:

- * Legislature should revisit distribution policy
 - * No action required by the Board

Mr. Morris stated he has not heard from the beneficiaries on this. Ms. Rupp noted they are waiting until Ms. Bird returns before they respond. Ms. Rupp noted there may be some constitutional issues in changing it. The Education Committee did make the decision to put everything they could back into the permanent fund until it gets very significant in number. Mr. Morris stated he supports it all going into the permanent fund indefinitely.

- * SITLA should publish an annual report with financial information
 - * Financial information is now on the website.

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7. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

II. Development of Tasks in Response to Audit (cont'd)

- * Money Management Act should be changed to allow more flexibility for Treasurer
 - * HB 78 passed during the 2006 session
- * If bonuses continue, they should be based on appropriate and measurable goals.
- * The Legislature should provide SITLA with guidelines for salaries and bonuses
 - * The Board established a committee to examine bonus objectives and methodology in 2005. Staff recommends that this committee also review compensation issues.
- * Establish a uniform method of selling land (appraisals and competition)
 - * Board needs to address in policy

Mr. Morris stated that the Staff should tell the Board what we are doing now, what they would recommend, and then let the Board decide what the policy should be. The Board will develop the policy, but wants the Staff to develop the methodology. Mr. McKeachnie stated we need to first decide whether or not we agree with the audit recommendations that we should have a uniform method of selling land. John Andrews stated that, by the end of the legislating hearings, the auditors were backing off on some sales being all done by the same method. He stated there may be some exceptions carved out of a uniform method. Staff will provide the Board with the facts on how we do it now and recommendations on if we should make changes or if there are any "gaps" in our process. Mr. McKeachnie stated we have to agree whether there is a problem. He isn't sure there is a problem. Possibly, the auditors just don't understand that one of the reasons this agency was created is to be different. Their suggestions and recommendations make us not different.

Staff will come back with a presentation showing the interpretation of what the auditors see as a model and our practices. The Board can then see what they think needs to be done. Mr. Morris stated he thinks their criticism is that there isn't a policy at all. Maybe we have procedures and policy, but they just are not written down. He thinks we need to write down what our policy currently is and see if it stands up to the audit criticism and recommendations. Mr. McKeachnie stated that maybe our policy is that we aren't going to be bound by a policy in order to stay flexible enough to do our business. Mr. Morris stated that, if we don't have some written guidelines and follow them, we will have criticism. He thinks the appraisal and competitive processes should be written down and followed.

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7. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

II. Development of Tasks in Response to Audit (cont'd)

The Board felt the feedback from the audit could have been worse. Mr. McKeachnie thinks the beneficiaries did a great job. He does feel that there is an undercurrent and possibly some day they might want to re-look at our agency again. He thinks we need to better address the bonus issue. The investments of the State Treasurer changes will help calm some of the issues. Ms. Rupp stated that, as they visit the schools, they try to let them know about the fine people in the agency and that the people in the agency have to be on the order of the private sector. Mr. McKeachnie stated we need to figure out a way to accomplish the objective without making it objectionable. We pay for results.

- * Legislature to provide direction regarding appropriate risk in Development investments.
 - * Possible connection with intent language.
- * If development beyond basic planning or infrastructure, then fund staff with expertise.
 - * Planner and Construction Manager funded
- * Use system in place to track project revenues and expenditures
 - * Legislature funded study to develop an accounting module
 - * Board policy to address:
 - * allocation of indirect expenses
 - * systematic establishment of status reports
- * Hire additional Development audit staff
 - * Money included in FY 2007 budget
 - * Board Audit Committee to direct

Follow-Up:

- * Board policy on establishing initial land values
- * Board policy on competitive processes for Development projects
- * Board input in development of accounting module
- * Board Audit Committee to address Development audit issues

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7. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

III. Request to Broaden Applicability of Trust Lands Resource Specialist

Director Carter reviewed this issue with the Board.

History of Exempt Positions:

- * The Trust Lands Management Act authorizes the Board to establish exempt positions and set a salary range
- * In December 2003 the Board established the position of Trust Lands Resource Specialist
- * The Board set the salary range between \$45,510.40 and \$64,750.40.
- * These amounts matched the State's general pay plan Steps 58 and 71, respectively.

Proposal for New Positions:

- *. Board requested and Legislature approved two new positions
- * Consultation with DHRM - March 6, 2006
- * Modification of position description for Trust Lands Resource Specialist
 - * Construction Manager - Development
 - * Planner - Development
 - * Lands Coordinator - Surface
 - * Lead Archaeologist - Surface

Salary Ranges:

- * Action in 2003 established salary at general pay plan steps, but did not reference steps
- * Agency has administered positions using general pay plan steps
 - * allows for convenient interface with State system
 - * allows employees to benefit from COLA funded by Legislature.

7. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

III. Request to Broaden Applicability of Trust Lands Res. Specialist (cont'd)

Establishment of Ranges:

- * Maintain existing steps corresponding to ranges established in 2003
 - * Range in 2003: \$45,510.40 - \$64,750.40
 - * Equivalent in 2006: \$47,293.20 - \$67,275.36
- * Formally establish the salary range for the Trust Lands Resource Specialist at Step 58 to Step 71 on the State's General Pay Plan.

Director Carter noted that DHRM had requested that we amend this job description to include these new positions rather than making new job descriptions. He gave the Board a copy of the amended job description. The Board approved this.

Morris / Ferry. Unanimously approved.

"I move we approve this as requested."

Roll Call:

Mr. Morris - - yes	Mr. Ferry - - yes
Mr. McKeachnie - - yes	Mr. Mortensen - - yes
Mr. Lee - - yes	

b. Mineral Group Report

I. Board Objective 2-H - - Consideration of Concepts For Oil Shale Development Policy

Mr. Tom Faddies stated that one of the objectives set by the Board this year involved oil shale and tar sands. Staff is to do an analysis of the Book Cliffs Block. About three months ago, Ms. Garrison had a consultant address those issues somewhat. Mr. Faddies gave the Board a binder showing the results of that study. All the results of the study are now in one form. It is also available electronically.

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7. Director's Report (cont'd)

b. Mineral Group Report (cont'd)

I. Board Objective 2-H - - Consideration of Concepts For Oil Shale Development Policy (cont'd)

The Trust presently owns approximately 87,736 acres of oil shale-bearing lands within Uintah County. Much of the trust land acreage is located within several land blocks that were formed through land selections and exchanges for oil shale development in the late 1970s and early 1980s. The specific land blocks are known as:

Tosco (9-10S, 21-22E)
Magic Circle (10S, 20-21E)
Bonanza (9S, 24-25E)
Geokinetics (12S, 24-25E)
Seep Ridge (13-14S, 22-23E)

The remainder of the trust lands oil shale acreage within Uintah County is in the form of scattered school sections from approximately Township 8 South through 14 South and Ranges 20 through 25 East.

The Trust has achieved excellent land tenure in oil shale through previous selection and exchange efforts. The Geokinetics and Seep Ridge land blocks and the surrounding scattered school sections lend themselves well to outcrop and surface mining due to shallow depth of the oil shale resource in these areas. The Syntana/Paraho and Magic Circle lands blocks may accommodate deeper mining technology. In-situ recovery of oil shale is still in the experimental phase, but may gain practical application upon many different depths, thicknesses, and grades of oil shale as the technology develops.

As with most mineral commodities, a consolidated land position is preferable when the geographical extent of the resource is defined. Oil shale in the Uinta Basin has received much study during the past 100 years and the resource is presently relatively well-defined, although the full extent or value of any mineral deposit is never actually known until it has been successfully produced. Oil shale development throughout the region, however, may be handicapped by air quality and other environmental permitting concerns. It is likely that permitting will be allowed only upon the first few oil shale developments to go into actual operation. Such operations will probably occur upon large land blocks where sufficient oil shale reserves are assured to achieve

7. Director's Report (cont'd)

b. Mineral Group Report (cont'd)

I. Board Objective 2-H - - Consideration of Concepts For Oil Shale Development Policy (cont'd)

the economies of scale needed to achieve profitability and justify large capital expenditures. Additional blocking of lands may be utilized to fill holes within existing land blocks or to create new oil shale land blocks in specific areas of interest, being careful not to trade out of high-value mineral commodities such as oil and gas.

Element for consideration in drafting Board policy for oil shale:

Leasing Strategies:

- * The agency believes that each block of oil shale lands should be consolidated under one lessee to allow for the most economic development of our lands. Historically, there have been multiple owners per tract. The agency, until recently, has continued to keep its oil shale properties under lease, but has consolidated lessees through lease expirations down to only one or two owners in each block. SITLA will continue to whittle the lessees down to one per block. Should the blocks be leased competitively or leased under an other business arrangement where the agency can set the terms of the agreement for the development of the commodity?
- * The agency has withdrawn its oil shale from over-the-counter leasing to allow it to study and develop a policy on leasing. Since oil shale processes probably require more than a few sections, should all potential oil shale lands continue to be withdrawn as the current leases expire to allow for a logical leasing unit area to be established by the agency based on geological and topographical criteria?
- * Should SITLA consider the opportunity to offer lands jointly with the BLM or private entities for oil shale development?
- * Should the Board's policy require that all oil shale leasing be done as an other business arrangement rather than through a competitive sale?

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7. Director's Report (cont'd)

b. Mineral Group Report (cont'd)

I. Board Objective 2-H - - Consideration of Concepts For Oil Shale Development Policy (cont'd)

Land Tenure Adjustments:

- * Should our blocked lands be re-arranged into a different configuration or should the agency attempt filling in the existing blocks where we may not control the oil shale? What should be done with scattered sections? Should we leave the scattered oil shale lands to be incorporated into other blocks of non-SITLA lands to be developed in conjunction with other parties?

Timing of Development:

- * The first oil shale recovery will probably be through open-pit mining of some of the shallower reserves. In the future, as more and more projects come on line, clean-air standards may pose a problem for open-pit mining of oil shale. Should SITLA position itself to be out front with blocks available so that we are among the first to begin operations on our lands or should we follow the BLM lead, allow them to develop rules, and let research occur on other lands to develop the technology that could then be utilized effectively on the SITLA lands?
- * The BLM is currently beginning a task force to write oil shale rules. Should SITLA bide its time in modifying our rules and policies until the BLM has run the gamut of pitfalls? For example, there is an inherent conflict between oil shale and oil/gas development. It is difficult to mine an area if it is covered with wellbores; however, oil/gas may be the most economic commodity at the present time. There are discussions occurring at both the state and federal levels on what sort of problems may be encountered and what rules might need to be developed. These have not yet been fully fleshed out.
- * Should the agency consider incentives to bring oil shale research and development to trust lands rather than going to BLM or private lands? What would those incentives be? Currently, in our statute at 53C-2-414, SITLA allows the lessee to apply for rental relief. Should other incentives be considered or are they necessary at all?

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7. Director's Report (cont'd)

b. Mineral Group Report (cont'd)

I. Board Objective 2-H - - Consideration of Concepts For Oil Shale Development Policy (cont'd)

The agency believes these are discussion points that need to be considered before a Board policy on oil shale is written and enacted.

Mr. Faddies noted that we have 101,000 acres of mineral potential in the Book Cliffs block that contains one billion barrels of potentially recoverable oil. Basically, the oil shale is contained in the Mohagony Ledge Member of the Green River Formation. It has 400 feet of overburden in it. Tar sands in the Athabasca area are being mined successfully. The one billion barrels on our lands are equal to two and one-half days of production out of Athabasca. This tells us we should not be doing mining in this block yet. In the future we need to find some ways to get some quality data on this. We would put coalbed methane as the second product in this area.

We have about 80,000 acres of potential oil shale-bearing lands in Uintah County. They are almost 100 percent leased and bring us over \$500,000 a year. He noted that years ago Trust Lands received \$20,000 from the Seep Ridge block in royalty on oil shale. Mr. Faddies noted he is reluctant to give up our scattered land pattern in oil shale because of the resources in the Uinta Basin. People like to see our lands blocked, but for minerals that is not necessarily the best management practice. One of the things we need to decide and need more input on is what we do if these blocks become available for further leasing - - should we simply withdraw them? He has advised the Board before that a good ore body drives a client to negotiate. There are some real problems in getting oil shale into production. A client is going to have to come to the table to negotiate with us on it.

Mr. Faddies noted that some members of our staff recommend that we rewrite our oil shale rules. He feels that they serve us well the way they are.

Mr. Faddies stated that we will see activity in tar sands in two area. We already have an other business arrangement in one of the areas. The second place is where we have a law firm working with a client on the Asphalt Ridge that wants to apply some of the Canadian technology to recover the tar sands. He will need to do much negotiating with other operators and acquire some tar sands leases. Our system will force us to bring this to the Board for an other business arrangement when it happens.

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7. Director's Report (cont'd)

b. Mineral Group Report (cont'd)

I. Board Objective 2-H - - Consideration of Concepts For Oil Shale Development Policy (cont'd)

Mr. Faddies noted that the Board objective wants us to draft a policy statement as to how we should continue to manage the oil shale. His recommendation is that this be made very broad-based and to let the other business arrangement process continue to work. The wealth in this resource is like in our other resources - - it is not in playing the leasing game, but in getting the property into production and getting royalties. Mr. Faddies noted there is a statute now that allows the Board and Administration to grant royalty relief and economic incentives to oil shale operators. He personally thinks this statute is outdated. It was in our rules for a long time for the operators to apply for a \$250,000 discount on royalty production if they were the first successful operators in oil shale on trust lands. He would like to see that statute repealed and just use the other business arrangement process in leasing oil shale.

Chairman Lee noted this was part of the objective this year. This Board won't discuss this further today, but the Board needs to develop a policy arising from this study. He asked that this be on the agenda in April unless the agenda is too full, at such time it would go to May.

c. Development Group Report

I. Discussion of Affordable Housing Issues / Washington County

Mr. Drake Howell stated he had asked Mr. Scott Hirschi, the Director of Economic Development in Washington County, to speak regarding this issue.

Mr. Hirschi complimented the Board and agency on the wonderful advancements that have occurred over the last 10 years. He was associated with the Staff early on in this agency, as he was the first Director of the new Trust Lands Administration.

Mr. Hirschi stated that workforce housing is an issue that Economic Development first became involved with about a year ago when housing costs started rapidly increasing. It has been very difficult for those in the average-wage category to be able to afford housing in Washington County. In the last few months, there has been an increase of 40 percent. The average cost of a home in Washington County is over \$280,000. Anything over \$175,000 is not affordable by that part of the community. There are hardly any homes under \$200,000.

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7. Director's Report (cont'd)

c. Development Group Report (cont'd)

I. Discussion of Affordable Housing Issues / Washington County (cont'd)

Mr. Hirschi stated that, when they first determined that this was a very big challenge, they tried to put together a committee to work on it. It became apparent that the nature of the challenge was such that the private sector was not going to be able to address it. The representatives on the committee seemed quite self-serving. A public-private partnership was formed - - DAWHAC, Dixie Area Workforce Housing Affordability Committee. It is chaired by a county commissioner. It includes the six largest communities in Washington County. A good deal of the resolution of this challenge has to do with local government - - regulations, fees, etc., and being able to create housing that is affordable. Each one of the members of DAWHAC has a subcommittee that they chair; i.e., education of the subject, employer incentives, etc. DAWHAC met in October for the first time and has met four times since then. They are scheduled to meet again next week. They are finally seeing some progress in that group putting together a county-wide workforce housing plan. It will be their responsibility to take that plan out to city and county governments and convince them to implement it through ordinances and policies. They are also trying to convince the private sector to help in this.

Mr. Howell further discussed this with the Board through a power-point presentation as follows:

Current conditions:

- * Housing affordability
 - * Teachers, fire/emergency personnel, nurses find it difficult to afford housing
 - * Employers find it difficult to recruit employees
- * Dixie Area Workforce Housing Affordability Committee (DAWHAC)
 - * County-wide initiative to address problem
 - * Suggests policies and program; no authority

Trust's Participation:

- * DAWHAC
 - * Land availability subcommittee
 - * Land-Use subcommittee
 - * General meetings

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7. Director's Report (cont'd)

c. Development Group Report (cont'd)

I. Discussion of Affordable Housing Issues / Washington County (cont'd)

- * Public perception of the Trust
 - * Give land away; discount land
 - * Land values in county
- * Trust is in a position to help

Proposal:

- * Program
 - * Hire expert to write
 - * City/County administered
- * Place: Fossil Hills
 - * Suitable for multi-family residential
 - * Approved PD Zone (Planned-development)
 - * Cottages at Fossil Hills project already approved by City of St. George
- * Plan: Bonus density
 - * Request increased density/units
 - * Contribute portion of difference in total units to Workforce Housing
- * Issue Requests for Proposal
- * Development partner required to adhere to workforce housing commitment
- * City administers housing program

Proposal Details:

- * Current entitlements:
 - * 183 single-family units on 62 acres (2.95 DU/AC)
 - * Unrealistic given difficult terrain

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7. Director's Report (cont'd)

c. Development Group Report (cont'd)

I. Discussion of Affordable Housing Issues / Washington County (cont'd)

- * Request Increase:
 - * Example:
 - * 310 multi-family units on 62 acres (5.00DU/AC)
 - * Additional 127 units
- * Contribute 31 units to Program (10 percent of units)
- * Trust obtains revenue from 96 additional units

Mr. Howell stated there is apparent ill will in Washington County toward the Trust. It does have something to do with the affordable housing issue. They feel we should just give our land away or discount it. He noted that Dry Canyon Homes, the developer at Fossil Hills, already has all the permits from the city that they need. We have a consultant that is trying to determine if this would work on this land.

The Board had many questions regarding this and discussed it at length. Mr. Morris asked to see the pro forma on how the beneficiaries would make money on this proposal instead of the first one. Mr. Morris stated he thinks this should be called "clustered" or "residential" units and not multi-family because in the real-estate world, multi-family means "apartments". Mr. Howell stated they don't have a specific proposal yet to show the Board, but he did give the Board some illustrations of how this would work with the increased density.

Mr. Howell stated Staff would like to move forward with issuing an RFP telling our proactive developers that this would be our program and they would have to commit to it. We would come back to the Board with a specific pro forma and ask for approval.

7. Director's Report (cont'd)

c. Development Group Report (cont'd)

I. Discussion of Affordable Housing Issues / Washington County (cont'd)

Mr. Morris asked what federal programs the county has looked into to resolve this issue? Mr. Hirschi stated they feel they have looked at those exhaustively. Every program they have looked into you have to be below 60 percent of the area average income. Utah Housing has more applications than they have money. They denied both projects in Washington County. They have not been able to identify any state or federal program to help with this issue in Washington County.

After much discussion, the Board generally felt they had not objection to proceeding with this effort. Mr. Hirschi stated that DAWHAC will probably be looking for a lowering of costs. They will be asking developers to price about 20 percent of their homes below \$190,000. They will give certain incentives for that.

II. Update on Cross Hollow Project - Cedar City, Iron County

Mr. Rodger Mitchell gave the Board a brief summary of this project. The Cross Hollow project is South of Cedar City. It is approximately 1600 acres. We have engaged in a master plan that was completed last summer. We started an RFQ - request for qualification. We qualified five developers. The RFP process was immediately engaged. Through that process, we qualified three proposals to move forward to presentations to a committee. We then went to a final and best offer. We had hoped to have had it completed by March. There are some negotiations going on right now. We are negotiating with a single party - EsNet. They have hired Quantum as their project manager. They were chosen because of the strength of their vision and the actual deal structure.

Mr. Mitchell stated we have just received a new appraisal on the property at just over \$12 million. The committee evaluated all the proposals and felt this was the best one based on the net and when the money would be coming in. He stated Staff will give more information on this next month.

Mr. Mitchell stated we need to accomplish two things. We need to enter into a development lease with Cedar City to formalize the master plan. We will negotiate and write development leases with EsNet after Board approval. We hope to be on the ground later this summer. EsNet also has control of 10 acres at the entrance to our property. They are going to roll this property into this development.

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7. Director's Report (cont'd)

d. Associate Director's Report

I. Update on Colorado River Exchange

Mr. John Andrews gave the Board an update on the land exchange. He and Director Carter have been engaged in a five-month series of discussions sponsored by the House Committee on Forests and Forest Health. The committee undertook hosting these discussions after DOI raised various issues with the language in the exchange. We made a lot of progress in the first few meetings, but have had an impasse on one of the primary valuation processes - - that of mineral valuation. We are acquiring lands that have great value for minerals. We have had some difficulty with DOI over how to appraise mineral lands that are leased and how to take into account the 50 percent share the United States contributes to the State for the mineral leasing account.

There is also another issue that involves our proposal that we would acquire unleased mineral lands at surface value, but would commit to pay the Treasurer and the State of Utah what they would have received under existing law and allow the Trust to make our profit off what we could increase those leased rentals and royalties. This is a concept that would save much on appraisal costs and reduce the potential for conflict.

The last three meetings the DOI has stated they are still trying to make up their minds. They have not been prepared for meetings and have cancelled meetings. They were unprepared last week for our meetings. The subcommittee staff has now bought off on our proposal and language and is prepared to take it forward because DOI has not been able to get a position together. We believe that we will be able to proceed with the legislation in the House side, which is the markup of the legislation. This should occur in early April. We have a meeting scheduled with Congressman Matheson next week.

On the Senate side, we are waiting for an initial hearing. Senator Bennett is the senator helping us on this. We hope to get something scheduled in April. There had been a legislative jam in the committee not related to our legislation. Everyone who has a land exchange is now thinking they have to go to congress because they don't feel they can get it done administratively. Therefore, there has been a great increase in land exchanges that the committee has had to deal with. Both the Democratic and Republican staffers on the House committee feel we have a bill.

7. Director's Report (cont'd)

d. Associate Director's Report (cont'd)

I. Update on Colorado River Exchange (cont'd)

Mr. Andrews noted he has met with Ms. Bird and Ms. Plant and went through the legislation line by line with them. There have been a couple of minor changes regarding land to be conveyed. Director Carter noted there are some negotiations going on as to whether there should be a withdrawal on the federal lands that will be transferred. Our concern is that we don't want this to make Grand County unhappy.

8. Consent Calendar

There were no comments on the Consent Calendar items, so the following are approved.

a. Fee Changes for 2006-2007 Grazing Season

Action requested: Consent from the Board to increase fees for the 2006-2007 grazing season as presented below, consistent with the Board's action in March, 2005.

Background: In March, 2005, the Board of Trustees approved the following changes to the Agency's grazing fees:

1. Increase the annual grazing fee for selected land blocks from \$2.35 to \$5.00/AUM beginning with the 2005-2006 grazing season - - then, incrementally, increase the fee to \$7.00/AUM over a five-year period (\$0.40 per AUM per year).
2. Increase the standard grazing fee from \$2.35 to \$2.85/AUM for the 2005/2006 grazing season - - then, incrementally increase the fee to \$3.90/AUM over a three-year period (\$0.35/AUM per year).

8. Consent Calendar (cont'd)

a. Fee Changes for 2006-2007 Grazing Season (cont'd)

The following represents a summary of the incremental fee adjustments approved under items 1 and 2 above:

<u>Grazing Season</u>	<u>Regular Fee/Weed Fee</u>	<u>Block Fee/Weed Fee</u>
2005-2006	\$2.75 + \$.010 = \$2.85	\$4.90 + \$0.10 = \$5.00
2006-2007	\$3.10 + \$0.10 = \$3.20	\$5.30 + \$0.10 = \$5.40
2007-2008	\$3.45 + \$0.10 = \$3.55	\$5.70 + \$0.10 = \$5.80
2008-2009	\$3.80 + \$0.10 = \$3.90	\$6.10 + \$0.10 = \$6.20
2009-2010	\$3.90 Adjusted w/formula	\$6.50 + \$0.10 = \$6.60
2010-2011	\$3.90 Adjusted w/formula	\$6.90 + \$0.10 = \$7.00

Based on the approved framework, the grazing fees for the 2006-2007 grazing season will be as follows:

1. Selected land block grazing fee will be \$5.40/AUM.
2. Standard grazing fee will be \$3.20/AUM.

Even though the Board of Trustees has already approved the grazing fee framework, this notice is required by R850-50-500 Grazing Fees and Annual Adjustments, which states: "An annual fee shall be charged for the grazing of all livestock on trust lands. The grazing fee shall be established by the board and shall be reviewed annually and adjusted if appropriate".

For purposes of reference and context, the following additional changes to the Agency's grazing program were also approved in March, 2005:

1. Provide for a 50/50 revenue-sharing program for all subleased grazing permits (block and scattered parcels).
2. Annually commit investments to qualifying capital range livestock improvement projects that represent up to 10 percent of TLA's gross annual grazing revenues received.
3. Allow for permit term extensions when substantial expenses are assumed by the incumbent permittee for approved range-improvement projects.

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8. Consent Calendar (cont'd)

a. Fee Changes for 2006-2007 Grazing Season (cont'd)

4. Continue the Agency's existing policy of reimbursing incumbent grazing permittees for the undepreciated value of their investments in approved range-improvement projects in the event a permit is prematurely canceled beyond the permittee's control; e.g., sale of the property to another party.
5. Finally, with input from industry and other stakeholders, work towards adopting an acceptable grazing fee formula that objectively reflects market values of TLA permits and sets the stage for appropriate annual adjustments in fees (up or down). This future formula should not be applied until after the thresholds of fee adjustments prescribed above are realized.

Since there were no comments on this Consent Calendar item, it is approved.

Board Notifications:

b. Amendment of SULA No. 1124 - Timothy Vetere

Pursuant to Rule R850-30-1000(2), this is formal notice that the Agency intends to amend the terms of SULA 1124 by assessing separate fees attributed to farmable vs. unfarmable acres under the lease.

SULA 1124, with a beginning date of November 1, 1998, and an expiration date of October 31, 2038, is issued to Timothy Vetere of Green River, Utah. The purpose of the lease is for cultivation of crops suitable for the soil condition of the subject property, typically alfalfa and melons. The lease contains 100 acres in two separate parcels. The lessee has requested that the recently assessed agricultural rental on the subject property, in the amount of \$18/acre, be applied only to the farmable acres in the lease and that a rental amount of \$1/acre be assessed on the unfarmable acres in the lease. The unfarmable acres will be used for grazing livestock at certain times of the year.

Most agricultural leases issued over the last several years, including another lease to Mr. Vetere, have included terms similar to this request. The Agency believes that this action is warranted and is in the best interest of the trust beneficiary.

The Board had no comments on this lease amendment.

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8. Consent Calendar (cont'd)

c. Amendment to SULA 1273 - Robert Holt Farms, Inc.

Pursuant to Rule R850-30-1000(2), this is formal notice that the Agency intends to amend this lease by adding a provision which allows for the lease to be terminated at the end of any lease year.

SULA 1273 is an agricultural special use lease issued to Robert Holt Farms, Inc., P. O. Box 130, Enterprise, Utah, 84725. The lease contains 480 acres, more or less, in Sections 3 and 10, Township 19 South, Range 5 West, SLM. The purpose of the lease is the planting, cultivation, and harvesting of alfalfa and any other dry crop typically planted in rotation with alfalfa. The beginning date of the lease was April 1, 2000. The expiration date of the lease will be March 31, 2025.

This lease was recently reviewed pursuant to Board policy and the provisions of the lease. In the course of the review, it was determined that the value of the subject property exceeded the value of the agricultural use of the property. The lessee was given the option to either pay the fair-market value of the lease or amend the lease to include a termination clause. The lessee elected to add a termination clause to the lease. The termination clause is as follows:

Notwithstanding the expiration date as set in the Lease above, after April 1, 2006, the Lessor shall have the right to terminate the Lease at the end of any lease year if Lessor determines it is in its best interest.

The Agency believes that this action is in the best interest of the trust beneficiary. The Board had no comments on this lease amendment.

Other

Mr. McKeachnie stated that, under the new energy bill, the Vernal BLM office has been designated on a trial basis as an office to try to expedite oil and gas leases. They have hired many more employees and expanded their building. Some other state agencies have employees housed in that building. He asked if it would be wise and profitable for Trust Lands to have an employee there. He would like Staff to look into whether this would be good for the agency. Staff will look into it. Ms. Garrison stated she can see an advantage to having a local presence there, but we will look at the cost-effectiveness of it, etc.

Meeting adjourned at 2:10 p.m.

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